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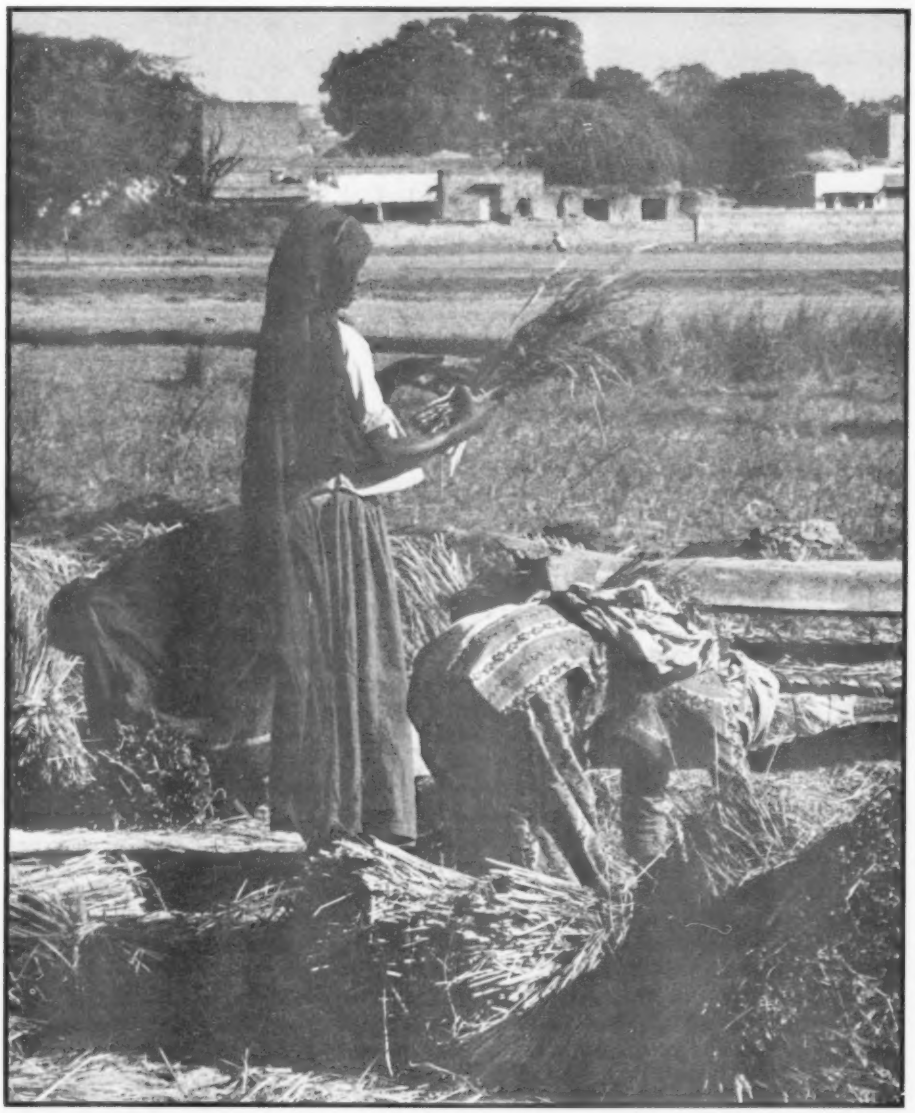

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Rice threshing in Haryana State, India.

Asian Rice Survey: Excellent Crops, Declining Prices

By Robert C. Tetro

Despite record rice crops in the United States and several major producing countries in Asia, world trade in 1979 is expected to show only a small decline from that of last year. Prices have been sustained at levels unexpected several months ago, primarily because of continued good demand from Middle Eastern and some African markets, as well as Thai policy actions aimed at supporting local prices. Also important is the emergence of a separate world market for high-quality, long-grain white and parboiled rice.

With few exceptions, rice production throughout Asia was excellent in 1978, with Indonesia, Burma, Bangladesh, Thailand, and China expecting record crops. The result has been a buildup of large surpluses of low-quality, medium- and short-grain rice in both importing and exporting countries, particularly Japan, India, Sri Lanka, and Burma.

The author is an agricultural economist, Grain and Feed Division, FAS. This article is based on the author's recent trip to most of the countries surveyed.

As a consequence, low-quality rice prices could reflect some weakness during the next several months vis-a-vis prices for better quality rice.

This situation is likely to prevail until prospects for Asian rice production in 1979 begin to emerge and the extent of Pakistani, Burmese, Indian, and Thai export availabilities for 1979/80 become more evident.

These conditions undoubtedly will impact on some commercial movement of U.S. medium- and short-grain rice varieties. Demand for high-quality parboiled and long-grain U.S. rice is expected to be maintained. Many of these types of rice are being exported to Middle Eastern and selected African markets.

While current rice surpluses should not have any near-term effect on demand for rice provided by P.L. 480 programs, delivery schedules, within U.S. fiscal year 1980 (Oct.-Sept.) constraints, could be a problem if Indonesian rice production does not return to more normal levels and if surpluses continue in Japan and India.

In the long term, most Asian rice markets are likely to remain of little commercial importance to the United States. In general, these are spot markets requiring small lots and short delivery schedules. Distance and large bulk shipments preclude meeting either of these needs and contribute to uncompetitive freight rates.

Rice import requirements for a number of countries in Asia are handled within the context of the Association of Southeast Asian Nations (ASEAN). ASEAN's contribution to the area's and its members' rice requirements recently took the form of a 50,000-ton reserve. This constitutes little more than a modest reserve representing only a fraction of exporting members' available surpluses or the group's annual consumption needs.

Progress toward a broader agreement with significant market impact is expected to founder over the lack of financing, adequate storage facilities, and marketing infrastructure, as well as ASEAN's inability to absorb appreciable Thai surpluses in years of abnormally good production. Finally, Asian suppliers are likely to continue as major sources for Southeast Asian rice demand.

The situation throughout Southeast Asia:

Indonesia. This country currently is facing stock management problems resulting from a record 26.0 million-ton crop (paddy basis), heavy purchases in 1977, delayed arrival of some 450,000 tons of rice purchased in 1977, and record procurement of rice by BULOG—the Government's rice procurement board.

Current stock capacity (1.9 million tons, of which 1.2 million is owned by BULOG) is virtually full and the Government of Indonesia has scaled back import requirements for 1979 to about 1.5 million tons, compared with those in each of the past 2 years at almost 2 million tons.

The outlook for 1979/80 (Apr.-Mar.) rice production is favorable at this time because of the early arrival of the monsoon rains, a 13-percent increase in the Government floor price for paddy rice to $204 per metric ton, steady fertilizer prices, and policies aimed at revitalizing participation in BIMAS (a Government-supported development program).

The exceptional level of last year's rice crop, however, points to lower levels of production in 1979, tentatively placed at 25.4 million tons.

Despite Indonesia's policy goals for 1979-83 aimed at reducing annual increases in rice consumption, a shortfall of perhaps 2.0-3.0 million tons could emerge during the next 2-3 years.

Actual import levels will be influenced by BULOG procurement operations as the difference between BULOG market operations and procurement is a more accurate gage of needs than any absolute difference between production

Clockwise from upper left: Rice threshing in Haryana State, India; interior view of New Delhi store, showing bags of rice and lentils; rice wholesalers in Dacca, Bangladesh; rice parboiling operation in Bangladesh.

and consumption. Recent market operations have been running at about 1.5 million tons, with normal annual procurement levels at 500,000 tons.

The importance of BULOG stocks and its market operations has increased dramatically during the past 3-4 years as trends in ceiling and support prices have reduced the private trade's incentive to accumulate stocks.

To support these prices more adequately, BULOG officials maintain that a minimum of roughly 600,000 tons be kept as a reserve.

Thailand. Despite reports of flooding, Thailand is expected to produce a record 16.0 million tons (paddy basis) of rice during 1978/79.

Surplus rice available for export during calendar 1979 most likely will range between 1.8 million and 2.2 million tons (milled basis), but could approach the 1977 level of 2.9 million tons if this season's production estimate is adjusted upward.

Overseas markets are important to the Thai Government's domestic market-support operations. This is particularly true since storage capacity, financing, and processing facilities can sometimes fall short of requirements for fully effective market support.

A likely course of action, should international prices remain weak or decline, may be a further reduction in 1979 export premiums and duties.

Indonesia has been a crucial factor in Thai rice sales and this year has slowed early 1979 purchases of Thai rice. (Sales to Indonesia are at their heaviest, traditionally, during Jan.-Apr.)

Other factors that could complicate Thailand's export of surplus rice are a high proportion (about 35 percent) of glutinous rice, the need to extend concessional financing and shipping to markets where demand for this low-quality rice is up (Vietnam, Laos, and Cambodia), and abundant rice supplies in other

traditional glutinous rice markets (Japan, South Korea, Indonesia, and Sri Lanka).

The Middle East and Africa may be areas with increased market potential. Middle Eastern buyers have been switching to better quality, long-grain white rice, and West African destinations have been emerging as the most important markets for parboiled rice. Nigeria, Dahomey, and Somalia accounted for approximately two-thirds of Thailand's parboiled rice exports in calendar 1977.

Thailand's parboiling industry has become a growth industry during the past 2 years of attractive prices. Total capacity currently is estimated at 800,000-900,000 tons per year. Future potential for this industry hinges on price attractiveness and weather (for production and drying).

Although U.S. parboiled rice is more attractive from a quality standpoint, Thai parboiled rice will always be more competitively priced than comparable U.S. rice because of extremely low production costs.

Hong Kong. With average annual imports of 340,000-360,000 tons, Hong Kong continues as one of the largest and most consistent commercial importers of high-quality, long-grain rice. China, Thailand, and Australia dominate this market, with China commanding a 55-percent market share.

Despite the demand for high-quality rice, the likelihood of all but a small, regular market for U.S. rice is discounted because of transportation costs. A sale of 63,000 tons in 1972 was the last significant U.S. sale to the Hong Kong market.

India. Despite flooding in Bihar, West Bengal, and Uttar Pradesh, India's overall rice situation in 1978 benefited from an above-average southwest monsoon. Total Indian production for 1978/79 currently is estimated at 78.8 million tons (paddy basis), down marginally from the 79.1 million tons produced in 1977/78.

India's current policy decision to announce crop procurement prices in advance of the planting season rather than shortly before harvesttime, coupled with a recent increase in the rice procurement price for 1978/79 (from $96 to $106 per metric ton) conceivably could affect next summer's rice plantings.

The milled rice component of Government-held stocks anticipated during March 1979, at 8-9 million tons, represents an excess of 1 million-2 million tons over the 7-million-ton minimum buffer stock needed to carry the Government into the 1979/80 rice harvesting season.

This situation has led the Government to consider the export of small quantities of rice on a case-by-case basis. Export movement will be hampered by the abundance of low-quality rice already on the world market.

Nonetheless, authority exists to commit up to 500,000 tons of rice (milled basis) for export during 1979/80 (Apr.-Mar.).

Aside from traditional sales of basmati rice to Middle Eastern destinations and 36,000 tons to Mauritius, the only additional rumored sale has been one of 100,000 tons to a Kuwaiti buyer. The broken content of this rice (20-25 percent), makes Kuwait (a high-quality market) an unlikely ultimate destination for the sale.

Significant commercial sales of Indian rice above the current possibility of 150,000-175,000 tons are ruled out, but loans to Vietnam could materialize.

Burma. Largely because of excellent growing conditions, Burma expects a paddy rice crop of 10.0 million tons in 1978/79, compared with the 8.6-million-ton, drought-reduced crop of last season.

Surpluses available for export could exceed 700,000 tons, though 600,000 tons is a more likely figure. This level of export depends on shipments to African and Middle Eastern markets, since traditional markets, such as China, Hong Kong, Sri Lanka, and Indonesia take a combined total of only 350,000-400,000 tons.

Export movement of low-quality rice in recent years has become more difficult largely because of the upgrading of the type of rice demanded, particularly in the Middle East.

Bangladesh. Rice production in Bangladesh for the 1978/79 season is estimated at 19.4 million tons (paddy basis), slightly up from last season's output and well below earlier estimates of 20.3 million tons. The shortfall from targeted levels is attributed to dry conditions that prevailed during July and August.

Current production levels virtually preclude imports, which have averaged about 288,000 tons during the past 4 years. Import requirements are tentatively placed at about 80,000 tons, compared with the 240,000 tons estimated to have been imported last year. Loans from Saudi Arabia ($10 million) and Japan ($5.5 million) for rice purchases cover approximately 45,000 tons of Bangladesh's 1978/79 requirements.

China—mainland. It now appears that the 1978 early rice crop in China has exceeded the previous year's level by about 2 million tons, despite drought-related problems in some areas.

This accounts for the recent downward revision in 1978/79 rice crop estimates to 127.5 million tons (paddy).

Earlier estimates of 130 million tons were predicated on a 2 million-ton increase in the early crop, together with slightly better outturn from the intermediate and late rice crops.

The latter crops were affected by delayed transplanting and dry conditions in parts of the Yangtze Valley and South China, with the result that production last year was lower than the outturns in 1977.

China's export policy reflects an attempt to sell rice in the world market when prices are attractive. Therefore, the anticipated weakness in prices during at least the first part of this year could blunt Chinese sales efforts in calendar 1979.

Also, the State procurement of rice is not thought to be as good as during 1978. Exports in 1979 are tentatively placed at 1 million tons (milled basis), compared with 1.1 million tons in 1978 and 996,000 tons in 1977.

China—Taiwan. The rice surplus situation that has developed in Taiwan since 1976/77 (largely a consequence of the 1974 increase in the official purchase price) is expected to continue for the next 2 years, despite the absence of a specific Government goal of producing for export.

Farmer familiarity with rice farming and the relatively attractive rice procurement price ($319 per ton) will preclude any major shift out of rice area.

The only near-term prospect for a better supply-demand balance is a return

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Geneva Trade Package Expected To Benefit U.S. Agriculture

There are significant benefits for U.S. agriculture in the agreements that have been reached or are nearing conclusion in the trade negotiations in Geneva.

Agricultural trade in this country is one of the most important elements in the national economy—for everyone, not just farmers. Growth over the past 10 years in agriculture—this country's biggest industry—has been based largely on trade. During this period, while the U.S. share of the world markets for all exports was declining from about 23 percent to 14 percent, the U.S. share of world agricultural trade rose from 13 percent to 17 percent.

The gains that have occurred in world agricultural trade and in the U.S. share of that trade have been made in a market that has become increasingly protectionist. The purpose of the multilateral negotiations was to halt the drift toward protectionism, and turn it around, if possible. We in agriculture are pleased with the importance that the administration placed on agriculture in the negotiations, and if the agreements are completed, as we expect, Ambassador Strauss will have kept his pledge that any package he brought back would include meaningful gains for agriculture.

In the area of market access for agriculture, negotiations have been substantially completed with all the developed countries, and it is likely that negotiations with a number of developing countries will be completed within 2 or 3 weeks.

The agreements with the developed countries represent a reduction in trade barriers of about $3 billion in U.S. agricultural exports. The United States will receive important concessions on soybeans, our leading export commodity; and on beef, pork, citrus, tobacco, and many other products—about 150 in all.

Offers from our two leading trading partners—the European Community and Japan—make up the largest share of the gains. The Japanese have made concessions covering agricultural exports worth about $1.5 billion, including citrus, beef, and soybeans. EC concessions cover about $700 million in U.S. exports of beef, poultry, tobacco, rice, and fruit products.

For these gains, we had to make some concessions ourselves, and they touch some sensitive areas. But we have kept them fairly modest, and the result will be an overall substantial benefit for agricultural trade.

The Geneva package will include several international codes that have been negotiated to bring some discipline to the use of nontariff devices that disrupt international trade. Most important to agriculture is the code on subsidies.

Subsidized exports by other countries have been a problem for U.S. agriculture in our own and third country markets. There is little redress, except to subsidize our own exports, which is costly and contributes to further distortions in trade. The new subsidy code prohibits the use of subsidies to gain an undue share of a third country market or to materially undercut prices. This code will give U.S. agriculture rights in the international market that we did not have before. It will enable us to call the offenders to account, to present the case against them, and get the dispute settled within 120 days.

I do not want to oversell the gains for agriculture in these negotiations. We did not get all we wanted; we did not get all we asked for. But we have made significant progress from where we were when these negotiations started.

The agreements that we expect from Geneva will not bring an immediate surge in U.S. agricultural exports. The package has not changed our estimate of agricultural exports for this fiscal year—which is $29 billion, with a $15-billion net contribution to the nation's balance of trade. What it does do is open the door a little wider for this nation's leading export growth industry to put its magnificent productive capacity to fuller use.

The economic implications of the agreements at Geneva cannot be measured. To say that the concessions we got from the developed countries involved $3 billion in exports is a measure of their value today, not what this trade will mean in the future. In 1963, for example, the United States came away from the Dillon Round of trade negotiations with a duty-free binding on soybeans to the European Community. It covered $705 million in soybean exports.

We have made that duty-free binding stick and today those soybean exports to the EC are worth over $2.5 billion yearly. The beef concession we are getting from Japan covers trade that was worth only $100 million-plus last year. But that was double that of the preceding year, and Japan is an affluent nation of more than 100 million consumers. They like quality beef, but they eat only 8 pounds of beef per capita yearly because Government policy keeps them from getting more. The increase in quotas that was negotiated is one more step toward tapping the unfulfilled demand in that market.

The subsidies code reduces the unfair advantage our competitors have had through the use of subsidies in markets for grains worth nearly $12 billion last year. It will become increasingly significant for soybeans as Brazil and others in the Southern Hemisphere become larger factors in an oilseed trade worth almost $8 billion to the United States last year.

The long-term impact of these agreements cannot be measured in dollars and cents. But they can be measured in improved export opportunities for U.S. agriculture, and on that basis, the rewards can be substantial. □

Excerpts from remarks by Bob Bergland, Secretary of Agriculture, before the U.S. Chamber of Commerce Conference on Results of Tokyo Round, Washington, D.C., January 25, 1979.

Bad Weather Batters Ecuador's Rural Economy

By Lloyd I. Holmes

A prolonged dry spell—lasting nearly 3 years—has adversely affected Ecuador's rural areas, slowing livestock production, cutting crop output, and precipitating greater imports of food and feed. Although the weather is predicted to change for the better sometime this year, the country's economic losses are mounting.

Ecuador's livestock population of 3 million cattle and calves, 3 million hogs, 2 million sheep and lambs, and several thousand head of horses, mules, and goats has been severely affected by loss of weight, death, or premature movement to market.

With below-normal rainfall at critical times of the year, the rural landscape bears deep scars from scarce water supplies. Parched pastures, stunted native grasses, dry wells, and dusty trails have left many livestock gaunt.

The usually colorful countryside is a dull grey, and few patches of green are to be found in areas where abundant crops and animals thrived during more normal times.

The plight of livestock producers is most severe in the extreme northern and southern parts of the country. With little, or no native grasses or improved pastures to furnish normal feed supplies, livestockmen are forced to send their animals to market for slaughter.

Feeding of concentrates is not common in Ecuador. Some affluent livestockmen have resorted to buying small quantities of high-priced concentrates to wait out the drought. Some herds reportedly are being reduced by as much as 30-50 percent in the hardest hit areas.

Production of most crops is also down. Corn, wheat, rice, barley and some tropical crops have been severely affected in some drier areas. Crop farmers are faced with the same uncertain future that confronts livestockmen.

Several world organizations are providing assistance to areas most affected by drought; food is being distributed by the World Food Program and through CARE and the Catholic Relief Service, under provisions of Public Law 480, Title II, from the United States.

Accurate estimates of livestock numbers, and actual crop area and production are difficult to obtain in Ecuador. Given the country's diversity of weather, variability of landscape, and different cropping patterns and crops, it is very difficult to obtain accurate estimates of agricultural endeavors and thereby measure the drought's impact in terms of hectares and livestock numbers.

Farming in the Sierra or mountain areas, where the drought is worst, is generally on a small scale. To make an inventory of all the fields of corn, wheat, barley, rice, potatoes or other crops would be very time-consuming and costly.

However, the effects of the drought are visible everywhere.

Crop output is definitely lower, as evidenced by supplies in the market and the volume of imports by both the Government and private enterprise.

Discussions with industry and Government sources indicate the livestock industry is now almost stagnant or increasing at a very slow rate. Some even believe that the total inventory of animals may even be decreasing.

If this is true, there will be serious problems ahead in the supply of badly needed protein. The current human population of 7.8 million people is increasing about 3.4 percent per year. The country was already deficient in milk, even before the drought hit. Shortages are frequently encountered in the markets and prices have been inflated. Consumers are paying a high price for scarcity.

The Government of Ecuador imports more than 6,000 metric tons of powdered milk each year to supplement the shortfall in domestic production. Currently, imports are increasing by leaps and bounds as the increasingly affluent population is able to buy animal proteins.

No red meat or poultry is legally imported or exported. When domestic supplies of these products dry up, consumers go without or look for substitutes. Some of these substitutes are also imported foodstuffs, such as lentils, wheat, rice, and fats and oils.

Ecuador imported over 30,000 tons of rice in 1978, about 250,000 tons of wheat, and an estimated 100,000 tons of feedgrains.

In recent years, all the wheat imports, amounting to around 90-95 percent of total usage, have come from the United States.

The Government is poised to give increased assistance through various credit programs to farmers and livestock producers. New lines of credit have been established with loans from many sources. A break in the weather will provide an additional catalyst to expanding agricultural output and livestock production throughout the country.

Government planners recognize the severity of the farm problem and have designed and built new canals, rehabilitated older water systems, and are finding more efficient and effective ways to utilize existing scarce water supplies.

Artificial rainmaking has

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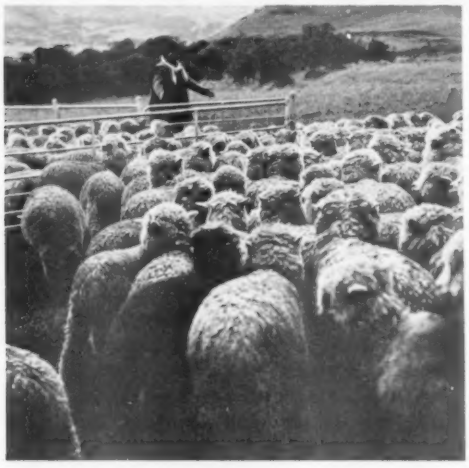

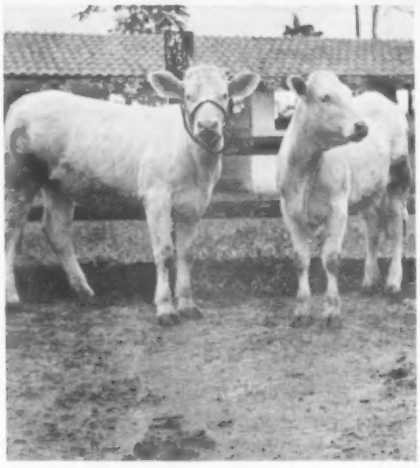

Scenes of Ecuadoran agriculture prior to the onset of drought. Clockwise from upper left: Holstein-Friesian cattle grazing in the Sierra, which has become one of the most drought-affected parts of Ecuador; removing protective plastic bags from banana stalks; purebred Charolais heifers; an Indian sheepherder surveys his flock.

also been discussed and studied, but no Government actions have been taken thus far. Some private companies have been active in artificial rainmaking for a number of years, particularly in high-value crop areas such as citrus, cocoa, coffee, and bananas.

One large Government project, Programa de Desarrollo del Sur, has inquired about the availability of 10,000 head of cattle over the next 4 years to move into the southern areas of the country in conjunction with an integrated Economic Development Program. Another project, Centro de Reconversion Economica del Azuay, is developing the southeastern area of the country and is interested in livestock as a basic input for regional development.

Private cattlemen, dairymen, hog producers, and poultrymen are ready to move ahead with increased investment and production, but they need resources and cooperation from the weather. Crop farmers are also waiting and hoping for a change in the weather so their operations can return to normal.

Mechanisms to use present sources of credit for the agricultural sector, including livestock enterprises, are being put in motion to funnel these resources into the rural sector to revitalize farming and livestock production.

The Government is preparing new plans of action to stimulate agriculture throughout all parts of the country. Presently, industrialists are showing increased interest in the rural sector, financiers have taken note that petroleum has about run its course as the major expansionary item for general economic growth and development, and farmers themselves are asking for more assistance to intensify their enterprises.

While petroleum will continue to play a significant role in the financial structure of the country, other, more traditional sources of revenue such as farm commodities, must bear more responsibility for future development and growth. Increased output of grains, animal products, poultry, fruits, vegetables, and feed supplies are needed. More traditional export crops such as coffee, cocoa, and bananas are being encouraged.

Drought-induced shortages have had the salutary effect of calling attention to agriculture. Government and private leaders are now focusing their efforts toward increasing farm production and solving rural problems. While weather will play a significant role in this renewed renaissance of rural Ecuador, the controllable human element will be the most important factor that will turn agriculture around. The next few months could make the difference. □

India's Big Cotton Crop Ends Ban on Exports

A large cotton crop in 1978/79 has caused the Government of India to lift its ban on exports of cotton and to double its purchases of domestic cotton in an effort to strengthen deteriorating producer prices.

Raw cotton imports, which were sizable in 1977/78, are seen falling to zero in the current season.

Now unofficially forecast at 5.95 million bales (480 lb net) from around 7.5 million hectares, the 1978/79 cotton crop was helped to its high level by the northeast monsoon that brought adequate rain to parched cotton areas in Tamil Nadu, Kerala, Karnataka, and Andhra Pradesh. Flooding in November 1978 resulted in some losses, but these were offset by increased outturn in other regions.

In the absence of official data, the trade has estimated the 1977/78 cotton crop at 5.6 million bales from 7.5 million hectares.

The Government's purchase target during 1978/79 is 1.2 million bales, compared with 656,634 bales purchased in 1977/78. These Cotton Corporation of India (CCI) purchases are expected to keep the market price well above the support price level.

Imports of raw cotton in 1977/78 are estimated at less than 300,000 bales. Some 250,000 bales were imported against contracts signed the previous season, and 25,000 bales were imported from Egypt, in compliance with a bilateral agreement. An additional 70,000 bales of superior and extra-long staple cotton were expected from Egypt during the 1977/78 season, but were most likely not all shipped.

Despite the ban on exports of most varieties of cotton in 1977/78, the Indian Government released 25,000 bales (170 kg) of short-staple Deshi cotton for export, but the high prices set by the Cotton Corporation discouraged foreign buyers early in the season. As a result, only 2,000 bales were sold out of the 15,000 offered in the first five tenders, although additional sales may have been made later.

In 1978/79, 25,000 bales of Deshi cotton were made available for export from the 1976/77 and 1977/78 crops, of which 24,000 have been contracted for export to Japan. One thousand bales were withdrawn from the market because of their low quality.

Permission also has been given the CCI to export 100,000 bales of substandard staple cotton from crops of previous years, but again little interest has been shown so far because of the high minimum prices quoted by the CCI.

Another 100,000 bales of staple cotton were offered on the export market by the Gujarat State Cotton Cooperative Marketing Federation, and 24,000 bales had been contracted. By early December, only 20,000 bales had actually moved out of India, however, since 48,000 bales had been contracted for export by December 1, more cotton probably will be shipped soon. Further sales are likely if buyers can match price and quality. Total exports of raw cotton in 1978/79 could reach 250,000 bales (480 lb net).

The textile industry had expected to export about Rs500 million worth of textiles in 1977, but—at Rs487 million—the total fell somewhat short of this goal, largely because of a drop in the exchange rate of the U.S. dollar, restraints on textile imports by some developed countries, and stiff competition from some other textile-exporting countries, particularly Korea and China.

The estimate of raw cotton to be used by India's mills in 1978/79 is 5.7 million bales, up from 5.5 million last season. The higher 1978/79 estimate is because of the size of the

Based on reports from the Office of U.S. Agricultural Officer, Bombay.

Soybean Production Costs Higher in Brazil Than in U.S.

Several studies comparing key cost factors for producing soybeans in the United States and Brazil—the world's top two producers—indicate that overall expenses, excluding land costs, are greater in Brazil than in the United States.

Results of the various studies—conducted by cooperative organizations and federations and State and Federal Government agencies in Brazil—differ among themselves and are by no means authoritatively exact. However, they do provide guidelines on the approximate costs of producing Brazil's 1979 soybean crop to be harvested in March and April following planting in October and November 1978.

Cost estimates from these studies range from $3.73 to $5.30 to produce one bushel of soybeans for all of Brazil's soybean-producing States. (Currency conversion is based on October 1978 exchange rate of 19.15 cruzeiros per U.S. dollar.)

The accompanying table attempts to synthesize several of these studies, along with other information published in the Brazilian press and obtained from producers, and compare these results with corresponding costs prevailing in the United States.

A closer look at Brazil's two main soybean-producing States, which account for about 85 percent of the country's production, reveals that estimated cost—in U.S. dollars per bushel—for the 1979 soybean crop may average $4.24 in Rio Grande do Sul and $3.39 in Paraná, compared with $3.46 average cost for the 1978 U.S. crop. These figures exclude land costs, which are considerably lower in Brazil.

However, marketing costs are substantially higher in Brazil than in the United States.

latest crop forecast, larger stocks, and falling prices.

The rising consumption of manmade fibers is estimated in excess of 1 million bales in 1977/78.

Average monthly consumption of manmade fibers is about 90,000 bales, but total use has been determined by the Government policy that required Indian mills to use manmade fibers for 10 percent of their total textile production.

Also of concern to commercial cotton firms is the move by the Government to control growth of the industrialized weaving sector and to boost that of cottage industries. In keeping with this plan, handloom operators are to be allowed more yarn for weaving of cloth for the domestic controlled-price market and for export.

During 1978/79, Indian weavers will be allowed to ship to the United States two handloomed garments for every millmade item. The previous formula permitted the shipment of one handloomed garment to one machinemade. For the European Community, the rate will remain 1:1. □

Calculations of Brazilian costs are based on the assumption that soybeans are cultivated on an area of 80 to 100 hectares and that wheat is cultivated as a winter crop on approximately 60 percent of the land devoted to soybeans. Labor costs include the services of a hired farm administrator.

The table shows that operating costs of machinery and equipment in Brazil are slightly higher, but equipment depreciation in the United States is almost double that in Brazil.

Costs of seeds and pesticides are less in the United States while the cost of U.S. fertilizer is substantially cheaper. The final breakdown shows that the cost of producing 1 hectare of soybeans, excluding land, is $261.10 in Paraná, $243.34 in Rio Grande do Sul, and $239.29 in the United States.

Lower land costs in Brazil tend to reduce the country's overall cost of production. In October 1978, prices of improved farmland in Brazil's soybean areas ranged from $250 to $1,000 per acre.

However, the farmgate cost of soybeans is only one factor in the total cost of delivering soybeans or soybean products to a foreign buyer. Marketing costs in Brazil, including the value-added tax and other taxes, are estimated to be at least five times those in the United States.

One study by an agency of the Brazilian Ministry of Agriculture concluded that the cost of marketing 1 metric ton of soybeans was $57.42 in Brazil, compared with only $7.24 in the United States. In this case, Brazilian marketing costs cover shipment from farm to port, including transport, storage, taxes, handling, and other costs.—*Based on a report from Edmond Missiaen, U.S. Agricultural Officer, São Paulo.* □

Selected, Estimated Cost To Produce Soybeans, Brazil 1979, and United States 1978

Item	Rio Grande do Sul	Paraná	U.S. [2]
	U.S. dol./Ha	*U.S. dol./Ha*	*U.S. dol./Ha*
Machinery and equipment:			
Operating cost	37.60	37.60	33.66
Depreciation	26.11	26.11	45.49
Hired labor:			
Administrator	13.05	13.05	([3])
Other	18.28	18.28	[4] 35.93
Management	([3])	([3])	26.14
Seed	24.54	36.55	20.39
Fertilizer	47.00	47.00	11.24
Pesticide	31.33	31.33	[5] 22.49
Total cost, excluding land	243 34	261.10	239.29
	Bu per acre [6]	*Bu per acre [6]*	*Bu per acre [6]*
Yield	23.20	31.20	28.00
	U.S. dol per bu	*U.S. dol per bu*	*U.S. dol per bu*
Cost per bushel, excluding land	4.24	3.39	3.46

[1] Cruzeiros converted to dollars at exchange rate of Cr$19.15 per U.S. dollar existing in October 1978. [2] U.S. data calculated from: U.S. Senate, Committee on Agriculture, Nutrition & Forestry, *Costs of Producing Selected Crops in the United States—1976, 1977, and Projection for 1978* Washington, D.C., March 31, 1978 (prepared by USDA/ESCS). [3] Not included in calculation. [4] Includes custom operations. [5] Slightly understated because part of pesticide cost included with custom operations. [6] One acre equals 0.4047 hectares.

Norway-U.S. Grain Pact Renewed

Norway's State Grain Corporation, continuing a policy of obtaining its grain imports needs by long-term contracts, has renewed a 3-year agreement with U.S. grain exporters, according to Fred W. Traeger, U.S. Agricultural Attaché for Norway.

Under the terms of the renewed agreement, Norway will purchase annually a minimum 150,000 metric tons and a maximum 350,000 tons of U.S. wheat, rye, barley, sorghum, or corn.

Other Norwegian long-term agreements already in effect include one with Canada for purchase of 60,000-120,000 tons of wheat, and one with Finland for purchase of 30,000-50,000 tons of grain, particularly spring wheat. An agreement with Sweden that expired in July 1978 may be renewed.

By type of grain, Norway's import plans for 1978/79 (July-June) were:

Wheat: 295,000 tons, of which 140,000 tons have already been imported or contracted for delivery in 1978. Demand for milling wheat for the January-June period is forecast at 175,000 tons, of which 20,000 tons will come from domestic production. Sweden will likely supply the bulk of the 155,000 tons needed in January-June 1979.

Rye: Imports during January-June are expected to total about 20,000 tons, most of which will come from Sweden or other European sources.

Corn: Purchases of U.S. corn totaled 60,000 tons July-December 1978, and two or three 20,000-ton cargoes are forecast for January-June 1979. All or most of it will come from the United States.

Sorghum: Norway has purchased 60,000 tons from the United States and will need 60,000-70,000 tons in January-June 1979. U.S. sorghum exporters may look to Norway as a regular customer for about 130,000 tons of sorghum annually.

A 1-percent increase in Norway's grain production area and favorable growing conditions resulted in a record 1978 grain crop, estimated at close to 1.2 million tons. □

Continued from page 4

Asian Rice Survey

to more normal yields. This season's crop is placed at 3.4 million tons (paddy); annual consumption, which has been declining, is estimated at 2.0 million tons (milled).

Outlets for surplus rice have included exports and some allocation to animal feed. Exports at a profit during 1979 will be extremely difficult, given production costs of $365 per ton, transport, handling, and other cost factors that bring the milled f.o.b. price to about $420 per ton.

Rice surpluses in 1979 are expected to be about 300,000-500,000 tons. Actual exports are tentatively estimated at 300,000 tons. Major destinations in recent years have been Indonesia, Mozambique, Italy, Singapore, and the Netherlands.

Iraq. Paddy production of rice during 1978 in Iraq—at 200,000 tons—was roughly the same as the level of a year earlier. Imports have been ranging from 200,000 to 250,000 tons, primarily from Pakistan, Thailand, the United States, and Uruguay.

Although Iraq is attempting to reach self-sufficiency in grain production by 1981, the recent stagnation in foodgrain production and a 3.7-percent annual increase in population make such a goal unlikely.

Iran. This country's 1978/79 rice production has been revised upward to 1.276 million tons (paddy basis) as a result of recent successes in the stem borer control program. Import requirements for 1979 are placed at 500,000 tons (milled basis).

While recent turmoil could complicate early 1979 rice deliveries, long-term rice import requirements could conceivably be modified upward. Iran has become an increasingly important market for U.S. rice, and its share of U.S. exports has risen from only 3 percent in 1973/74 to an average of 20 percent during the past 2 years.

Japan. Continuing to be burdened by surplus rice production, Japan has tried to cut output this year with only marginal success. Stocks in excess of normal levels of 2 million tons (milled basis) as of November 1, 1979, are expected to reach 4.4 million tons.

As a consequence, a surplus disposal program is currently being considered. This program would allocate about 4.8 million tons (milled basis) to various end-users during Japan fiscal years 1979-83 (Apr.-Mar.).

Under the currently envisaged disposal program for 1979/80, allocations include 100,000 tons for feed, 200,000 tons for industrial use, and 300,000 tons for export donations.

It is not known whether these same ratios would apply to allocations of the remaining 4.2 million tons during 1980-83; however, first priority is to be given disposals for industrial use, then exports, and finally feed use.

If this year's crop of 15.7 million tons (paddy) is indicative of the trend for the next 2 years, surpluses on hand into 1981/82 could exceed 5.0 million tons.

This would presume only marginal success with efforts to promote greater consumption of rice and to divert area out of rice.

Present and future surpluses will undoubtedly compete with U.S. P.L. 480 shipments of rice, commercial U.S. rice exports to selected Asian nations, and with the U.S. feedgrain market in Japan. □

Enthusiastic Response Greets First U.S. Cherry Shipments to Japan

By W. John Child and Kuniharu Kiyomiya

After 58 years of Japanese plant quarantine import embargoes, the United States has begun to export sweet cherries to Japan. U.S. Ambassador to Japan Mike Mansfield hailed the first shipment of cherries, which began this past summer, as "a boost to our trade efforts in Japan."

Previously, the Japanese Government did not permit U.S. cherries to be imported because of fear of codling moth infestation. However, a treatment program developed after 7 years of cooperative efforts by scientific, industrial, and governmental representatives on both sides of the Pacific paved the way for the first shipments.

In presenting Japan's Minister of Agriculture, Forestry, and Fisheries with a carton of cherries from the first shipment, U.S. Agricultural Attaché Dudley Williams said, "I would like to take this opportunity to express our sincere appreciation to you and the officials of your Ministry who helped in the development of the cherry trade program. This is an additional example of U.S.-Japanese cooperation in the expansion of agricultural trade between our two countries and we are grateful for your support and assistance."

Cherries currently imported into Japan are mainly produced in Washington and Oregon. U.S. shippers exported about 136,000 cartons (20 lb each) or about 1,300 metric tons during the cherry season that ended in early August.

The enthusiastic consumer reception indicated the great potential for U.S. cherries in Japan. Consumers literally lined up to purchase small baskets of cherries priced at Y200 per 100 grams. Given the exchange rate in effect at the time, retail prices of U.S. cherries averaged about $5 per pound. Newspaper stories heralded the arrival of the Bings, Lamberts, and Vans as "twice as big, twice as sweet, and twice as juicy."

Export shipments were made by both surface and air, with air shipments accounting for 70 percent of the total volume. Importers were pleased with the outcome of both shipment methods and the quality was said to be excellent.

The high quality of cherry shipments was the result of several factors; growers and packers in the producing areas selected only premium fruit for ex-

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Japanese consumers purchasing U.S. sweet cherries during a promotion at Isetan department store in Tokyo.

port to Japan; U.S. and Japanese Government inspectors in the Northwest part of the United States worked very closely with the packers and shippers to help insure timely shipment; and both the plant quarantine and food sanitation inspections required in Japan proceeded smoothly and quickly—a distinct plus in rapidly channeling the fruit into market distribution and in insuring quality maintenance.

At the wholesale level, cherries sold to retail stores for a rough average of $70 per carton, compared to the c.i.f. price of about $30 for air-shipped cartons. Surface shipments are priced somewhat less. Despite the premium prices, the supply did not keep pace with demand.

Ken Severn, manager of the Northwest Cherry Exporters, a noncommercial market promotion organization, was in Japan this past summer to assess the marketing situation. "The only criticism I have heard," he said, "is that there are simply not enough cherries."

Many retail store owners have complained that they have not been able to purchase U.S. cherries at any price. Indeed, it was difficult to find cherries in the small mom-and-pop fruit and vegetable shops that account for some 60 percent of the fresh produce volume sold in Tokyo. Most of the imported cherries have been purchased by the volume buyers.

Why don't shippers simply step up their export deliveries to meet the apparently insatiable demand? Primarily because the one Japanese inspector required by Japanese plant quarantine regulation to verify the treatment program, approve packing procedures, and inspect the fruit in the United States before shipment is already fully utilized.

Recent informal U.S. and Japanese discussions, aimed at further facilitating the cherry trade, have developed new procedures that will effect new inspection efficiencies and other improvements to facilitate filling future orders for larger volumes. □

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U.S. Food Team To Visit Arabian Peninsula in May

A U.S. food sales team will travel to the Arabian Peninsula May 4-17 to look into marketing prospects in this rapidly growing market for processed foods.

Personal contacts are a must in this lucrative, but highly competitive market, and the team—to be made up of 10 sales representatives—will carry out a tight schedule of meetings with key people in the three countries on the itinerary. The team will visit Jidda and Dhahran in Saudi Arabia; Dubai in the United Arab Emirates (UAE); and Kuwait City in Kuwait.

A growing population and rising incomes are stimulating demand for processed foods in the area. Also, dietary habits are changing as consumers become accustomed to meeting a part of their food requirements with imported—especially processed—food items.

U.S. food and agricultural exports to Saudi Arabia were a record $171 million in 1977, 3.7 percent greater than the 1976 level of $165 million.

In the years between 1972 and 1977, U.S. food sales to Saudi Arabia soared by 522 percent. Bulk commodities, namely wheat flour, rice, prepared animal feeds, vegetable oils, and beverage bases and syrups, accounted for a large share of the 1977 sales figure.

As an outlet for U.S. consumer-ready food products, Saudi Arabia is the best U.S. market in the Middle East, with purchases of $39.2 million in 1977. Shipments in that year consisted of meat and meat products ($7.9 million), poultry and poultry products ($2.2 million), dairy products ($1.3 million).

Also nuts ($1.6 million), fresh apples ($4.8 million), fruit and vegetable juices ($3.7 million), preserved fruits ($2.3 million), preserved vegetables ($5.0 million), and a wide range of canned and prepared foods ($9.7 million).

Although smaller markets than Saudi Arabia, Kuwait and the UAE also offer good potential for U.S. food products.

Total value of U.S. exports of food and agricultural products to Kuwait during calendar 1977 was $15.9 million. Of this, about $8 million were consumer-ready items, an increase of 214 percent over the 1975 level of about $3.7 million—mainly because of larger imports of U.S. beef and poultry products, almonds, and orange and other citrus juices. Also imported in large volumes were preserved fruits, catsups and chili sauce, potato and corn chips, and food preparations.

U.S. agricultural exports to the UAE amounted to $12.5 million in 1977, including about $7.6 million as prepared foods.

U.S. food products having the greatest sales potential in the markets to be visited by the team are pulses, beef, poultry, frozen foods, canned fruit juices, canned fruits and vegetables, snack foods, fast foods, soft drinks, and confectioneries.

Firms and individuals interested in participating in the May sales team visit to the Arabian Peninsula—or in any other FAS food promotion activity—can get full information by writing to the Director, Export Trade Services Division, FAS, U.S. Department of Agriculture, Washington, D.C. 20250, telephone (202) 447-6343. □

View of Kuwait City, one of the sites to be visited by the FAS-sponsored prepared food sales team, May 4-17.